

VZCZCXRO8553
RR RUEHMA RUEHPA
DE RUEHBP #0199/01 0581217
ZNR UUUUU ZZH
R 271217Z FEB 08
FM AMEMBASSY BAMAKO
TO RUEHC/SECSTATE WASHDC 8791
INFO RUEHZK/ECOWAS COLLECTIVE
RHMFISS/HQ USAFRICOM STUTTGART GE
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 BAMAKO 000199

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [ML](#)

SUBJECT: ALL THAT GLITTERS COULD BE ZINC: ARRESTS HIGHLIGHT
RISKS TO GOLD EXPORTERS IN MALI

11. SUMMARY: Gold has become the centerpiece of the Malian government's budget, but the recent arrest of gold smugglers highlights the risky nature of exporting gold. Three foreign nationals were caught red-handed trying to smuggle what may - or may not - have been three bags of gold through Customs with fraudulent gold export documents. It is unclear if the accused smugglers were also fraud victims, as at least one of the bags they were attempting to spirit out of Mali was actually packed with painted bars of zinc. Few arrests have been made in other cases, but reports of increasingly creative scams, thefts in transit, and fraud are common. Exporting gold legally from Mali is fairly straightforward, but government officials report that the sector is poorly organized and potential exporters can fall into many traps along the way from buying the gold until having it shipped. Mali's failure to crack down on con artists and establish better control over gold markets could have an impact upon other sectors as potential investors begin to look for less risky ventures in other nations.

IMPLICATIONS FOR MALI'S BUDGET

12. Gold production, ranging from industrial level operations to individuals panning in streams, accounts for the majority of Malian export earnings. The largest industrial producer, AngloGold Ashanti, reported over 537,000 troy ounces mined in 12006. Exact figures have not yet been released for 2007, but rising market prices have offset a reported decrease in production. Gold plays a critical role in financing the Malian government. The GOM has a stake in gold companies operating in Mali ranging from 18-20%, and also receives 6% in taxes on refined gold plus 35% in corporate taxes. Finance Ministry Secretary General Sambou Wague said that although the GOM receives dividends as shareholders, only the gold companies know the true amount of their profits.

RECENT GOLD SCAM

13. At the beginning of February, a Russian, an Azerbaijani and a Congolese were arrested at the Bamako airport for attempting to smuggle gold out of Mali. The three were planning to travel on Air Maroc to Dubai via Casablanca with three packages totaling 94 kg. Customs agents said that somehow, Abdoulaye Toure, a private Malian linked to a nonexistent company called "Afrique Metal SARL," and likely the agent that sold the foreigners the gold, was able to have two of the bags removed from the outbound baggage conveyer after they were checked in. He failed to get a third package, weighing 31 kg, which was subsequently seized by Customs and contained zinc made to look like gold bars. When the three alleged smugglers were interrogated at Customs

about the origin of their packages, the group jointly denied possession of them. However, a subsequent search in their hand luggage revealed falsified documents stating that they had bought from Toure 90 kg of gold that was 93% pure for USD 1,215,000 (at roughly 464 dollars a troy ounce, well below the world market price) . Meanwhile, the two bags previously pulled from the conveyer had disappeared. After a lengthy search, the bags were recovered empty. Mr. Toure's whereabouts are unknown. The three suspected smugglers are currently in prison awaiting trial while police continue to search for Toure.

14. Aside from this case, Customs officials said that they know of two other cases involving falsified documents in the last two years. They added that exporters, especially foreigners, should be very careful when exporting gold out of Mali. Mamadou Bah, Customs Chief at the Bamako airport, said suspicions are raised when anyone attempts to export more than 10 kg of gold. He estimated that anyone selling and/or attempting to export gold over that amount is often engaged in some form of fraudulent transaction.

HOW TO EXPORT GOLD FROM MALI 101

15. Gold buyers are required to acquire a license from the National Office for Trade (DNCC in French) or form a partnership with a Malian that is already licensed. The DNCC maintains a list of approved gold sellers; while roughly twenty agents are authorized to export gold from Mali, the National Director for Trade, Mahamane Toure, estimates that as few as four of these agents are legitimate. The DNCC showed an example of fake export documents that used a letterhead from the "Commerce Extérieur," a nonexistent

BAMAKO 00000199 002 OF 002

entity (note: Post has actually received a similar document).

16. Gold must be in the form of bars, rather than dust or powder, if it is to be exported from Mali. Buyers must have their gold weighed and tested for its authenticity by the Division of Geology and Mines (DNGM in French) who in turn will provide a certificate of title for the gold. The gold shipment is then sealed and passes out of the buyers hands at several steps on the way to the airport for transport. The exporter must pay 6% in taxes (3% value-added tax and 3% CPS) to the Ministry of Finance. Finally, the buyer takes the title for the gold to the Customs division in charge of gold exports at the Bamako airport to have it approved and stamped. Since 1990, in an attempt to spur exports, there are no export taxes.

17. Lassana Guindo, Chief at the DNGM, said the gold selling process in Mali was poorly organized and suggested that gold exporting stakeholders should collaborate on improving the chain of sale process. For example, customs officials suggested several scenarios for fraud, such as submitting the required sample (40g) in real gold to the DNGM with the remainder fake or with a much lower purity. Sealed packages are shipped in the hold of aircraft, and subject to theft and/or substitution by corrupt customs officials or airport employees.

COMMENT

18. As many Malian officials have noted, those looking to export gold should pay very close attention to who and how they do business, and the most recent case suggests that some Malian Customs agents may be involved in this type of corruption. As the price of gold climbs, it has been no surprise that the Embassy has received numerous inquiries from Americans and others interested in entering the gold

trade. The rise in prices will also likely be matched with a rise in the number of scams, potentially sullyng Mali's reputation in the eyes of international investors in other sectors far removed from the gold fields.

MCCULLEY